

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
MAG REGIONAL COUNCIL EXECUTIVE COMMITTEE

January 11, 2016
MAG Offices, Ironwood Room
302 N. 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor W.J. “Jim” Lane, Scottsdale, Chair
Mayor Greg Stanton, Phoenix, Vice Chair
#Mayor Jackie Meck, Buckeye, Treasurer

#Mayor Gail Barney, Queen Creek
Mayor Michael LeVault, Youngtown
Mayor Mark Mitchell, Tempe
Mayor Lana Mook, El Mirage

* Not present

Participated by video or telephone conference call

1. Call to Order

The Executive Committee meeting was called to order by Chair Lane at 10:01 a.m. Mayor Barney and Mayor Meck participated by teleconference. Chair Lane stated Sandra Watson and her family were in our thoughts and prayers.

2. Call to the Audience

Chair Lane stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. He stated that there is a three-minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non-action agenda items that are on the agenda for discussion or information only. Chair Lane noted no public comment cards had been received.

3. Approval of Executive Committee Consent Agenda

Chair Lane noted prior to action on the consent agenda, members of the audience are provided an opportunity to comment on consent items that are being presented for action. Following the comment period, committee members may request that an item be removed from the consent agenda.

Chair Lane requested a motion to approve the consent agenda. Mayor LeVault moved to approve consent item #3A. Mayor Mook seconded the motion and the motion carried unanimously.

3A. Approval of the November 23, 2015 Executive Committee Meeting Minutes

The Regional Council Executive Committee, by consent, approved the November 23, 2015 Executive Committee meeting minutes.

4. Status Update on the June 30, 2015 Single Audit and Management Letter Comments, MAG's Comprehensive Annual Financial Report and OMB Circular A-133 Reports (i.e., "Single Audit") for the Fiscal Year Ended June 30, 2015

Becky Kimbrough, MAG Fiscal Services Manager, stated that CliftonLarsonAllen LLP has completed the audit of MAG's Comprehensive Annual Financial Report (CAFR) and Single Audit for the fiscal year ended June 30, 2015. She noted that a copy of the CAFR was included in the committee member's agenda packets. Ms. Kimbrough introduced Mr. Dennis O'Such, Principal of the accounting firm of CliftonLarsonAllen LLP.

Mr. O'Such stated his firm conducted both the Single Audit Report of major federal programs and financial statement. For the Financial Statement Audit, his firm issued an unmodified opinion that was in accordance with generally accepted accounting principles.

Mr. O'Such stated for the Single Audit Report they issue two reports. He explained the first report is the Government Auditing Standards Report, in which they do not issue an opinion, but do report on internal controls related to the financial statements. Mr. O'Such indicated they found no significant deficiencies nor material weaknesses. The second report is the OMB Compliance Supplement and they provide an opinion on compliance with major federal programs and issue an unmodified or clean opinion and report on internal controls as they relate to major federal programs. Mr. O'Such indicated they found no significant deficiencies nor material weaknesses.

Mr. O'Such stated that the Fiscal Year 2014 finding related to documenting some DUNS numbers for subrecipients has been fully corrected. He pointed out one major item in the financial statement is a restatement of net position in the government-wide statements, which was not related to an error, but to new pension standards of GASB 68 and 71. Mr. O'Such explained this requires all governments to report their unfunded pension liability for the Arizona State Retirement System (ASRS). He noted previously, this was not required to be reported, just the required annual contributions and whether the government was making the contributions.

Mr. O'Such stated this is a \$13 million liability that is booked to the government-wide financial statements on the full accrual basis of accounting and account for long-term assets and liabilities. As a result, a negative net position of \$8 million on the full accrual basis is being reported for MAG. Mr. O'Such explained this means future liability for the unfunded pension portion but MAG still makes annual contributions based on ASRS contribution rates. He added MAG's situation is not unusual, and a number of agencies are reporting a negative net position due to the pension liability restatement.

Chair Lane thanked Ms. Kimbrough and Mr. O'Such for their reports. Chair Lane commented in light of the recent events with other government organizations, asked if there is any way that MAG can incorporate a procedure that would give us even greater assurance. Mr. O'Such replied that CliftonLarsonAllen LLP does look at all internal controls and makes a risk assessments. The areas that they really focus on is disbursements, revenue recognition and capital assets. Mr. O'Such reported that a consulting engagement was conducted last spring where specific controls that they were hired, by management, to report on. Ms. Kimbrough added a special audit over cash controls has been done and all controls are in place. She added Mayor Meck is Treasurer and he came and walked through all the controls MAG has in place.

Mayor Meck commented that he spent time at MAG, with Ms. Kimbrough, going over all the controls. He mentioned that he spent most of the afternoon reviewing controls and that if anything, MAG had overdone the controls in place. He added he is extremely comfortable with everything that is in place and was impressed with what he saw.

Mayor LeVault moved to recommend acceptance of the audit opinion issued on the MAG Comprehensive Annual Financial Report and Single Audit Report for the year ended June 30, 2015. Mayor Stanton seconded the motion and the motion carried unanimously.

Mr. Smith stated in light of the recent events with other organizations, asked Chair Lane if he would like this item to be on consent or to be heard at the next Regional Council meeting. Chair Lane commented that he would like this item to be heard at the next Regional Council meeting.

5. Discussion of the Development of the FY 2017 Unified Planning Work Program and Annual Budget

Becky Kimbrough, MAG Fiscal Services Manager reported on the development of the FY 2017 MAG Unified Planning Work Program and Annual Budget. She noted the draft Dues and Assessments and the proposed budget production time line were included in the committee member's agenda packet. Ms. Kimbrough stated the development of the Work Program begins in January each year in order to provide opportunities for early input and review from committee members.

Ms. Kimbrough explained that the draft MAG Dues and Assessments are calculated using the prior calendar year average Consumer Price Index-Urban Consumers (CPI-U) estimated at 2.34 percent. She noted the draft Dues and Assessments figures were calculated in December 2015. She noted that the 2015 calendar year CPI-U average is not yet available, but is due January 20, 2016. At that time, the draft MAG Dues and Assessments will be updated and the adjusted draft MAG Dues and Assessments will be presented. Ms. Kimbrough noted MAG anticipates little change to the estimated CPI-U.

Ms. Kimbrough noted the draft Dues and Assessments total is approximately \$4,700 higher than FY 2016 total. Chair Lane thanked Ms. Kimbrough for her report and asked members if they had questions. There were none.

The next item was taken out of order due to the potential Executive Session on this agenda.

8. Legislative Update

Nathan Pryor, Government Relations Manager, stated today starts the Arizona Legislature session. He noted one of MAG's concerns is the Highway User Revenue Fund (HURF) and the fees charged to MAG and PAG this fiscal year. MAG was charged more than \$1.5 million in fees and PAG was charged approximately \$500,000 in fees to go to Arizona Department of Revenue (ADOR). Mr. Pryor stated that last year a joint letter from rural agencies requesting the elimination of the HURF sweeps, which MAG signed, was sent to the Governor. In August 2015, Rene Guillen, Government and Transportation Policy Advisor, gave a presentation to the MAG Regional Council on a proposal regarding fee issues, as well as raising fees to go to Department of Public Safety (DPS), which also impacts HURF.

Working together, MAG and PAG agreed to draft a letter related to the HURF and fee issues, which captures the conversation between the governor's office and elected officials of MAG and PAG. This letter will be brought to the next Regional Council meeting, to be signed jointly between MAG and PAG.

Chair Lane thanked Mr. Pryor for his update and asked committee members if they had any comments.

Mr. Smith commented the theme of the letter would be to get DPS funded, but not through the HURF. The Resource Allocation Committee is showing five more years of sweeps at \$120 million per year, or a total of \$600 million over five years. He added keeping HURF funding to the \$20 million per year allowed in state statute means an additional \$500 million for state transportation projects. Previously, the Arizona Department of Transportation proposed taking the \$8 registration fee and increasing it to support DPS.

Chair Lane commented this seems like a reasonable approach and asked if this is consistent with the Governor's staff outlining and changing HURF funding. Mr. Pryor responded this letter compliments what is being proposed by the working group. He stated he will continue to monitor this.

Mr. Pryor also stated Senator Shooter has some concerns about the High Occupancy Vehicle (HOV) lane capacity. MAG, Valley Metro, DPS, FHWA and ADOT had an opportunity to meet with the Senator, to provide information on the function of HOV lanes and how they serve to move vehicles and people. The Senator's concerns included having open HOV lanes while other lanes are congested with slow moving vehicles.

Mr. Pryor stated the HOV lanes are part of the federal Transportation Control Measures required for MAG, due to our region being in nonattainment. The Senator discussed having a bill that lowers fines for HOV Lane infractions. Mr. Pryor noted a bill has not yet been submitted and MAG has reports and data showing HOV lane capacity movement, that will be provided to the Senator.

Mr. Smith added we have the fourth largest HOV network in the United States and DPS stated they use the HOV lane to respond to traffic incidents.

Chair Lane asked if the Senator's position was the underutilization of the HOV lane. Mr. Pryor replied when an HOV lane appears to be open or unused, while other lanes are backed up, shifting vehicles to the HOV lane to move more vehicles through, is what the Senator is suggesting. Mr. Pryor stated it is not just a matter of looking at how many vehicles are moving, but also how many people are being moved.

Mr. Pryor also discussed the streamlining of the MAG 208 Water Quality Management Plan Process. He noted MAG would like to see this process put in place for one year and make any revisions to that process, as needed. Currently, there are not any bills going to the legislature and MAG will continue to monitor this. Chair Lane asked if these adjustments were voluntary commitments of participants in the process. Mr. Pryor stated that was correct. Chair Lane asked if MAG has any examples of the new streamline process.

Mr. Smith stated the City of Buckeye amendment is going through and time limits have been put in place so local governments cannot bottleneck an application. If they have a completed application, it will go into the MAG process. Mr. Smith added MAG staff recently met with the Home Builders Association and discussed the housing balance report that MAG Information Services issued. MAG also extended the offer to have the staff present the demographic tools, mapping and data to them. He commented housing did not bring us out of this recession and the Economic Development Committee has focused on everything except housing. He noted after speaking with the EDC chair, staff made the offer to the Home Builders Association to present their concerns to the EDC. Mayor LeVault stated dialogue with the home builders is very important and we need to work with them and maintain a sense of collaboration.

6. Annual Performance Review of the MAG Executive Director

Mayor Stanton moved that the Executive Committee go into Executive Session regarding agenda items #6 and #7. Mayor LeVault seconded the motion and the motion carried unanimously. The meeting went into Executive Session at 10:33 a.m.

The Executive Committee reconvened regular session at 11:11 a.m.

7. Possible Action on the Annual Performance Review of the MAG Executive Director

Mayor Stanton moved that the Executive Committee go into Executive Session regarding agenda items #6 and #7. Mayor LeVault seconded the motion and the motion carried unanimously. The meeting went into Executive Session at 10:33 a.m.

The Executive Committee reconvened regular session at 11:11 a.m.

Mayor LeVault motioned, subject to review and approval of the form of the employment contract of the Executive Director, to approve increasing the base salary of the Executive Director by two and one-half percent, effective January 1, 2016, and continuing the Executive Director's current benefits, plus an additional 4 days (32 hours) of vacation to be added to the beginning vacation balance for calendar year 2016. Mayor Mitchell seconded the motion and the motion carried unanimously.

9. Request for Future Agenda Items

Chair Lane asked if there were any requests for future agenda items. There were none.

10. Comments from the Committee

Chair Lane asked if there were any comments from the committee. There were none.

Adjournment

There being no further business, the Executive Committee adjourned at 11:12 a.m.

Chair

Secretary